

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

ATARI, INC.,

a Delaware corporation, and

MIDWAY MFG. CO.,

an Illinois corporation,

Plaintiffs,

vs.

NORTH AMERICAN PHILIPS
CONSUMER ELECTRONICS CORP.,

a Tennessee corporation, and

PARK TELEVISION d/b/a
PARK MAGNAVOX HOME ENTERTAINMENT
CENTER,

an Illinois partnership, and

ED AVERETT,

an individual,

Defendants.

JUN 14 1982

Civil Action No. 81 C 643

The Honorable
George N. Leighton

JURY DEMANDED

FILED

ANSWER OF ED AVERETT, AND COUNTERCLAIM

Defendant ED AVERETT (hereinafter "Averett") for his answer to the Amended Complaint herein, alleges the following, each paragraph of the Amended Complaint being set forth preceding the answer thereto.

1. Amended Complaint. Plaintiff, ATARI, INC. ("ATARI"), is a Delaware corporation with its principal place of business in Sunnyvale, California. ATARI is a leading developer and manufacturer of home video games and personal computers. ATARI owns the exclusive rights under copyrights to numerous audiovisual works, including the

exclusive rights in the United States for home video and personal computer use for the PAC-MAN video game described below.

Answer. Averett admits that ATARI is a Delaware corporation with its principal place of business in Sunnyvale, California, and that ATARI is a developer and manufacturer of personal computers and video games including home video games, but Averett is without knowledge of the remaining allegations of paragraph 1 of the Amended Complaint and, therefore, denies the same.

2. Amended Complaint. Plaintiff MIDWAY MFG. CO. ("MIDWAY") is an Illinois corporation with its principal place of business at Franklin Park, Illinois. MIDWAY is a leading developer and manufacturer of coin-operated video games. MIDWAY owns exclusive rights under copyrights to numerous audiovisual works and is the owner of the United States copyright and trademark to the PAC-MAN audiovisual work described below.

Answer. Averett admits that plaintiff MIDWAY is an Illinois corporation with its principal place of business at Franklin Park, Illinois, and that MIDWAY is a developer and manufacturer of coin-operated video games, but Averett is without knowledge of the remaining allegations of paragraph 2 of the Amended Complaint and, therefore, denies the same.

3. Amended Complaint. On information and belief, defendant North American Philips Consumer Electronics Corp. ("North American") is a Tennessee corporation, with its principal place of business in Knoxville, Tennessee. North American or a North American agent has an office and place of business in this District. North American itself or through its subsidiaries, agents or affiliated or related corporations manufactures and sells home video games, including the K.C. Munchkin home video game described below.

Answer. Averett admits that North American or a corporation related to it has manufactured and sold home video games and home video game cartridges including the Odyssey² home video game console and the "K.C. MUNCHKIN" home video game cartridge for use with that console, but otherwise denies the allegations of Paragraph 3 of the Amended Complaint.

4. Amended Complaint. Defendant Park Magnavox Home Entertainment Center ("Park") is an Illinois corporation with its principal office and place of business at 3634 West 95th Street, Evergreen Park, Illinois 60642. Park is a retailer of audio visual equipment including home video game consoles and cartridges including the K.C. Munchkin video game.

Answer. Averett is without knowledge of the matters alleged and therefore denies the allegations of Paragraph 4 of the Amended Complaint.

5. Amended Complaint. On information and belief, defendant Ed Averett ("Averett") is an individual residing in Hixson, Tennessee. Averett is a computer programmer, who along with his wife, developed a home video game known as K.C. Munchkin and other home video games for North American or a corporation related to it. Averett developed K.C. Munchkin with the intent and knowledge that North American directly or indirectly would distribute it nationally. Averett has received and continues to receive royalties or other payments from North American or a corporation related to it resulting from his development of and the nationwide sales of K.C. Munchkin.

Answer. Averett admits that he is an individual residing in Hixson, Tennessee, that he and his wife both participated in the development of a home video game known as K. C. Munchkin and other home video games for North American or a corporation related to it, and that he has

received royalties or other payments from North American or a corporation related to it resulting from sales of K. C. Munchkin, and denies the remaining allegations of Paragraph 5 of the Amended Complaint.

6. Amended Complaint. The claims in this Amended Complaint arise under the Copyright Laws of the United States, 17 U.S.C. §§101 et seq., the Lanham Act of 1946 as amended, 15 U.S.C. §1051 et seq., the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. Ch. 121-1/2, §§311-317, and the common law. This Court has federal question jurisdiction pursuant to 28 U.S.C §1331(a)(2) and 1338(a) and has pendant jurisdiction over the state law claims under 28 U.S.C. §1338(b). Venue is proper under 28 U.S.C. §§1391(d) and 1400(a). Acts giving rise to the causes of action alleged herein have occurred, and are occurring, in the this District.

Answer. Averett denies that he has committed, or is committing, any acts giving rise to the causes of action alleged in the Amended Complaint, either in this district or elsewhere, and neither admits nor denies the remaining allegations of Paragraph 6 of the Amended Complaint, which allegations refer to the applicable statutory and common law bases of the Amended Complaint, jurisdiction of this Court, and venue, as he is not required to either admit or deny such allegations.

7. Amended Complaint. Before May 22, 1980, Namco Limited, a Japanese company created an original audiovisual work titled PUCK-MAN. PUCK-MAN is a wholly original work of authorship with Namco Limited and comprises copyrightable subject matter under the copyright laws of the United States, Title 17, United States Code.

Answer. Averett is without knowledge of the allegations of Paragraph 7 of the Amended Complaint and, therefore, denies the same.

8. Amended Complaint. Namco Limited assigned "the entire right, title, and interest" in statutory copyright in the United States and the Western Hemisphere for the PUCK-MAN audiovisual work to MIDWAY by an "Assignment of Copyrights", dated October 10, 1980 and recorded in the Copyright Office. A copy of the Assignment is attached to this Amended Complaint as Exhibit A.

Answer. Averett is without knowledge of the allegations in Paragraph 8 of the Amended Complaint and, therefore, denies the same, except that he admits that a document titled "Assignment of Copyrights" which purports to be signed by Namco Limited and dated October 10, 1980, was recorded in the Copyright Office.

9. Amended Complaint. MIDWAY changed the name of the PUCK-MAN audiovisual work to PAC-MAN and has secured the exclusive rights in and to all United States copyrights and trademark rights in the PAC-MAN audiovisual work. MIDWAY has complied in all respects with all laws governing the PAC-MAN copyrights. The Register of Copyrights has issued to MIDWAY a certificate of copyright registration for the "Pac-Man Audiovisual Work," Reg. No. PA 83-768, effective November 13, 1980. A copy of Certificate of Registration No. PA 83-768 is attached to this Amended Complaint as Exhibit B.

Answer. Averett admits that the Register of Copyrights has issued Certificate of Registration No. PA 83-768, but he is without knowledge of any other facts concerning the document which purports to be a copy of the Certificate of Registration attached to the Amended Complaint as Exhibit B, and he is without knowledge of any of the remaining allegations of Paragraph 9 of the Amended Complaint and, therefore, denies the same.

10. Amended Complaint. By agreement effective as of April 27, 1981, MIDWAY granted Namco-America, Inc. an exclusive license under the PAC-MAN copyright and trademark for home video and personal computer use. By agreement also effective as of April 27, 1981 Namco-America, Inc. granted to ATARI the exclusive right in the United States and its territories in the copyright and trademark for the PAC-MAN audiovisual work for home video games and personal computers including exclusive rights under Certificate of Registration No. 83-768. An agreement transferring to ATARI the exclusive rights under copyright and trademark in the PAC-MAN audiovisual work was filed with the Copyright Office for recordation on November 12, 1981. A copy of the agreement recording the transfer rights to Atari in the Copyright Office is attached to this Amended Complaint as Exhibit C.

Answer. Averett admits that a copy of a document purporting to record the transfer of certain rights of Namco-America, Inc. to plaintiff ATARI dated April 27, 1981, is attached to the Amended Complaint as Exhibit C, but he is without knowledge of the remaining allegations of Paragraph 10 of the Amended Complaint and, therefore, denies the same.

11. Amended Complaint. ATARI holds the exclusive right under all copyrights to the PAC-MAN audiovisual work for home video games and personal computers in the United States and its territories. The Exhibit B Agreement also granted to ATARI exclusive license rights to the trademark PAC-MAN for use on or in connection with home video games and personal computers in the United States. ATARI has announced the introduction and will introduce the ATARI PAC-MAN home video game throughout the United States in March 1982.

Answer. Averett admits that ATARI has stated in advertisements that ATARI will introduce during 1982 a "PAC-MAN" home video game cartridge for use with its Video Computer System home video game console, denies that Exhibit B attached to the Complaint granted to ATARI exclusive license rights to the trademark PAC-MAN for use on or in connection

with home video games and personal computers in the United States, and is without knowledge of the remaining allegations of Paragraph 11 of the Amended Complaint and, therefore, denies the same.

12. Amended Complaint. North American and Averett have infringed the copyright in the PAC-MAN audio visual work by reproducing, selling and otherwise distributing and by performing and displaying unauthorized copies of and/or a derivative work based upon the PAC-MAN audiovisual work under the name K.C. Munchkin.

Answer. Averett denies the allegations of Paragraph 12 of the Amended Complaint.

13. Amended Complaint. North American and Averett are aiding and abetting others to distribute K.C. Munchkin and to publicly perform K.C. Munchkin in retail stores and to induce sales to consumers in violation of plaintiffs' rights.

Answer. Averett denies the allegations of Paragraph 13 of the Amended Complaint.

14. Amended Complaint. ATARI and MIDWAY have expended considerable effort and sums of money in developing, manufacturing, advertising and marketing PAC-MAN in the United States. To date, MIDWAY has sold in excess of 95,000 coin operated PAC-MAN video games at a wholesale price in excess of \$175 million dollars. ATARI has booked orders for over one million PAC-MAN home video games.

Answer. Averett is without knowledge of the allegations of Paragraph 14 of the Amended Complaint and, therefore, denies the same.

15. Amended Complaint. As a result of MIDWAY's advertising, promotion and sales, the public has come to identify the mark PAC-MAN and the non-functional design features of PAC-MAN with MIDWAY. Both the mark PAC-MAN and the non-functional design features of the PAC-MAN audiovisual work have acquired a secondary meaning associating them with MIDWAY.

Answer. Averett is without knowledge of the allegations of Paragraph 15 of the Amended Complaint and, therefore, denies the same.

16. Amended Complaint. Defendants have simulated the non-functional design features of PAC-MAN in K.C. Munchkin, which defendants have sold, advertised, and offered for sale.

Answer. Averett denies the allegations of Paragraph 16 of the Amended Complaint.

17. Amended Complaint. Defendants have aided and abetted and have knowingly induced others to sell, advertise and offer for sale K.C. Munchkin as a home version of PAC-MAN, thus creating the false impression that K.C. Munchkin is somehow backed by, sponsored by, made by or otherwise associated with plaintiffs. Defendants' conduct as hereinabove alleged has confused and is likely to confuse the public.

Answer. Averett denies the allegations of Paragraph 17 of the Amended Complaint.

18. Amended Complaint. North American directly or indirectly is advertising, distributing and selling its infringing K.C. Munchkin home video game on a nationwide basis. A full page color advertisement for the K.C. Munchkin home video game appeared in the November 16, 1981 issue of Newsweek magazine. A copy of the advertisement is attached to this Amended Complaint as Exhibit D. North American has also directly or indirectly advertised the K.C. Munchkin home video game in Time, People and various inflight airline magazines. North American is directly or indirectly also engaged and is currently engaging in a nationwide television advertising campaign for K.C. Munchkin.

Answer. Averett admits that North American or a corporation related to North American has advertised, distributed, and sold a "K.C. MUNCHKIN" home video game cartridge on a nationwide basis, that a color advertisement referring to the "K.C. MUNCHKIN" home video game cartridge appeared in the November 16, 1981 issue of Newsweek magazine, that a

copy of a portion of that advertisement is attached to the Complaint as Exhibit D, and that arrangements for additional national advertising referring to the "K.C. MUNCHKIN" home video game cartridge had been made, but otherwise denies the allegations of Paragraph 18 of the Amended Complaint.

19. Amended Complaint Averett licensed, assigned and/or otherwise conveyed the rights in K.C. Munchkin with the intent and knowledge that North American would advertise, market, and distribute K. C. Munchkin for retail sale. North American and Averett have provided and are currently providing distributors and retail dealers with the instrumentality and opportunity to engage in deceptive and unfair trade practices and, on information and belief, Averett and North American, directly or indirectly, have caused, encouraged and contributed to such deceptive and unfair trade practices. These deceptive and unfair trade practices include passing off the K.C. Munchkin home video game as a PAC-MAN game; causing a likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of K.C. Munchkin home video game; causing likelihood of confusion or of misunderstanding as to affiliation, connection or association with or certification by plaintiffs; and otherwise engaging in conduct which creates a likelihood of confusion or of misunderstanding. In addition, the distribution for retail sale of the K.C. Munchkin home video game has provided and is currently providing distributors and retail dealers with the instrumentality and opportunity to infringe the PAC-MAN copyright.

Answer. Averett denies the allegations of Paragraph 19 of the Amended Complaint.

20. Amended Complaint. North American's distributors, or distributors of a corporation related to North American, have and are currently holding out the K.C. Munchkin home video game as a PAC-MAN Game, as exemplified by the advertisement from the November 13, 1981 issue of the Chicago Sun-Times, a copy of which is attached to this Amended Complaint as Exhibit E. North American or a corporation related to it and its distributors have otherwise passed K.C. Munchkin off as the PAC-MAN home video game, and otherwise unfairly competed with ATARI, and have confused and deceived consumers.

Answer. Averett denies the allegations of Paragraph 20 of the Amended Complaint.

21. Amended Complaint. North American's direct or indirect infringement of the PAC-MAN copyright, its simulation of the nonfunctional design features of the PAC-MAN audiovisual work, its unfair competition and its unfair and deceptive trade practices in relation thereto have been willful and deliberate and will continue to plaintiffs' irreparable harm unless enjoined by this Court.

Answer. Averett denies the allegations of Paragraph 21 of the Amended Complaint.

22. Amended Complaint. Averett's activities in developing and promoting PAC-MAN for home video use in K.C. Munchkin constitutes willful and deliberate infringement of the PAC-MAN copyright unfair competition.

Answer. Averett denies the allegations of Paragraph 22 of the Amended Complaint.

23. Amended Complaint. Defendant Park has infringed the copyright in the PAC-MAN audiovisual work by selling and otherwise distributing the K.C. Munchkin home video game and by performing and displaying the K.C. Munchkin home video game.

Answer. Averett admits that the defendant Park has performed and displayed the "K.C. MUNCHKIN" home video game cartridge in conjunction with the Odyssey² home video game console and has sold the "K.C. MUNCHKIN" home video game cartridge, but Averett denies that any of said acts have infringed the copyright and otherwise denies the allegations of Paragraph 23 of the Amended Complaint.

24. Amended Complaint. ATARI has notified defendants of these infringements of ATARI'S exclusive rights in the PAC-MAN copyright and of the other violations herein alleged and of the filing of this action.

Answer. Averett denies that any notice of infringement, or of any other violations alleged in the Amended Complaint, was given to him by ATARI prior to the filing of the Amended Complaint and otherwise denies the allegations of paragraph 24 of the Amended Complaint.

COUNT ONE

25. Amended Complaint. Paragraphs 1 through 24 are incorporated by reference.

Answer. Paragraphs 1 through 24 of this Answer are incorporated herein by reference.

26. Amended Complaint. The aforesaid acts of North American, Park, and Averett constitute copyright infringement in violation of 17 U.S.C. §§106 and 501.

Answer. Averett denies the allegations of Paragraph 26 of the Amended Complaint.

COUNT TWO

27. Amended Complaint. Paragraphs 1 through 24 are incorporated by reference.

Answer. Paragraphs 1 through 24 of this Answer are incorporated by reference.

28. Amended Complaint. The aforesaid acts of North American, Park, and Averett constitute false representations that K.C. Munchkin is sponsored by, authorized by, or affiliated with plaintiffs in violation of Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a).

Answer. Averett denies the allegations of Paragraph 28 of the Amended Complaint.

COUNT THREE

29. Amended Complaint. Paragraphs 1 through 24 are incorporated by reference.

Answer. Paragraphs 1 through 24 of this Answer are incorporated by reference.

30. Amended Complaint. The aforesaid acts of North American, Park, and Averett constitute deceptive trade practices in violation of the Illinois Uniform Deceptive Trade Practices Act, Ill. Rev.Stat. Ch. 121-1/2, §§311-317.

Answer. Averett denies the allegations of Paragraph 30 of the Amended Complaint.

COUNT FOUR

31. Amended Complaint. Paragraphs 1 through 24 are incorporated by reference.

Answer. Paragraphs 1 through 24 of this Answer are incorporated by reference.

32. The aforesaid acts of North American, Park, and Averett constitute improper and unfair competition with plaintiffs in violation of plaintiffs' rights at common law.

Answer. Averett denies the allegations of Paragraph 32 of the Complaint.

FIRST AFFIRMATIVE DEFENSE

33. Averett has not infringed the copyright which purports to be registered by Certificate of Registration No. PA 83-768.

SECOND AFFIRMATIVE DEFENSE

34. Averett has not committed any acts in connection with the manufacture, advertising or sale of the "K.C. MUNCHKIN" home video game cartridge which constitute violations of Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a).

THIRD AFFIRMATIVE DEFENSE

35. Averett has not committed any acts in connection with the manufacture, advertising or sale of the "K.C. MUNCHKIN" home video game cartridge which are proscribed by the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. ch. 121-1/2, §§311-317.

FOURTH AFFIRMATIVE DEFENSE

36. Averett has not committed any acts in connection with the manufacture, advertising or sale of the "K.C. MUNCHKIN" home video game cartridge which constitute improper and unfair competition with plaintiffs in violation of any of plaintiffs' rights at common law.

COUNTERCLAIM

1. By way of counterclaim under Title 17, United States Code §§101 et seq., Title 28, United States Code §§1338(a) and 1338(b), the Lanham Act of 1946 as amended, 15 U.S.C. §1051 et seq., Ill. Rev. Stat. Ch. 121-1/2, and Title

28, United States Code §§2201 et seq., defendant Averett alleges that this Court has jurisdiction over the subject matter of and the parties to this counterclaim, and that there is an actual controversy as appears from the Amended Complaint in this action and from the foregoing Answer, between the plaintiffs and the defendant Averett with respect to (a) the validity and enforceability of plaintiffs' alleged copyright (b) the alleged infringement by Averett of said copyright, (c) the alleged acts of false representation by Averett, (d) the alleged acts of deceptive trade practices by Averett, and (e) the alleged acts of common law unfair competition by Averett.

2. The alleged copyright is invalid and unenforceable as asserted against the defendant Averett.

3. Averett has not infringed plaintiffs' alleged copyright.

4. Averett has not committed any act constituting a false representation.

5. Averett has not committed any act constituting a deceptive trade practice.

6. Averett has not committed any act of common law unfair competition.

7. Averett has been damaged by plaintiffs' assertion of their alleged copyright in this action, by their assertion that Averett has committed acts of false

representation, by their assertion that Averett has committed acts alleged to constitute deceptive trade practices, and by their assertion that Averett has committed acts of common law unfair competition, and such assertions have been willful and wrongful and without any just cause either in fact or in law.

WHEREFORE, defendant Averett demands judgment:

1. That plaintiffs' copyright Registration No. PA 83-768 is invalid, unenforceable and not infringed by any act of the defendant Averett;
2. That Averett has not committed any act constituting a false representation in violation of Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a);
3. That Averett has not committed any act constituting a deceptive trade practice in violation of the Illinois Uniform Deceptive Trade Practices Act, Ill.Rev.Stat. Ch. 121-1/2, §§311-317;
4. That Averett has not committed any act of common law unfair competition;
5. That plaintiffs are not entitled to any relief prayed for in the Amended Complaint;
6. That plaintiffs' Amended Complaint against Averett herein be dismissed with costs and disbursements including reasonable attorney fees to be paid by the plaintiffs to Averett;

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1863. The letter is addressed to the Senate and the House of Representatives, and is signed by Abraham Lincoln. The letter discusses the state of the Union and the progress of the war against the Confederacy. It also mentions the Emancipation Proclamation and the importance of the Union's victory.

2. The second part of the document is a report from the Secretary of War, dated January 10, 1863. The report is addressed to the President and the Congress, and is signed by Edwin M. Stanton. The report discusses the military situation in the South and the progress of the war. It also mentions the importance of the Union's victory and the need for continued support from the Congress.

3. The third part of the document is a report from the Secretary of the Treasury, dated January 15, 1863. The report is addressed to the President and the Congress, and is signed by Charles A. Smith. The report discusses the financial situation of the Union and the progress of the war. It also mentions the importance of the Union's victory and the need for continued support from the Congress.

4. The fourth part of the document is a report from the Secretary of the Navy, dated January 20, 1863. The report is addressed to the President and the Congress, and is signed by Gideon Welles. The report discusses the naval situation and the progress of the war. It also mentions the importance of the Union's victory and the need for continued support from the Congress.

5. The fifth part of the document is a report from the Secretary of the Interior, dated January 25, 1863. The report is addressed to the President and the Congress, and is signed by Caleb B. Smith. The report discusses the land situation and the progress of the war. It also mentions the importance of the Union's victory and the need for continued support from the Congress.

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing ANSWER OF ED AVERETT TO THE AMENDED COMPLAINT, AND COUNTERCLAIM, was served upon the attorneys for the plaintiffs by mailing copies first class postage prepaid to them at the following addresses:

Daniel W. Vittum, Jr.
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all this 11th day of June, 1982.

Gregory B. Beggs